GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2256
ANSWERED ON:14.03.2008
VAT RELATED PROBLEMS
Francis George Shri K.

Will the Minister of FINANCE be pleased to state:

(a) whether certain States have not complied with the VAT Empowered Committee Tax Rates on goods causing trade diversion and consequent revenue loss to the neighbouring States; and

(b) If so, the steps taken by the Government to rectify the same?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) & (b): State VAT, being a tax on sale or purchase of goods within a State, is a State subject by virtue of Entry 54 of State List of the Constitution. An Empowered Committee of State Finance Ministers (EC) has been constituted to deliberate upon and decide all matters concerning State VAT. The Empowered Committee monitors all the issues related to VAT including compliance by the States of VAT rates decided by Empowered Committee. The Central Government has no direct role in this regard except that of a facilitator in this important tax reform process.